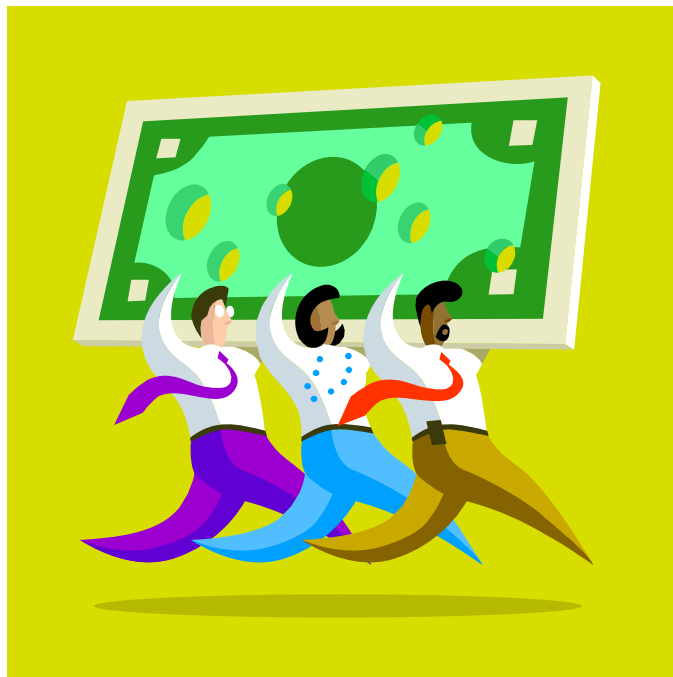


# CASH AND FINANCIAL REQUIREMENTS



## CHAPTER 19

### CASH AND FINANCIAL REQUIREMENTS

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## CASH AND FINANCIAL REQUIREMENTS

This chapter discusses how the Child Nutrition Programs (CNP) accounts are required to comply with generally accepted accounting standards, including the annual budgeting process. However, there are certain provisions of the Child Nutrition Programs that differ from other funds, programs, and accounts. This section outlines these requirements.

### IDAHO SDE Website – CNP Finance Tab

Idaho State Department of Education CNP has a website tab called CNP Finance. To find this section go to: <http://www.sde.idaho.gov/child/> and click the “Finance tab”. You will find the following financial tools plus more information.

- School District Financials
- Evaluating Financial Status
  - ❑ Financial Tips
  - ❑ Three Month Operating Information
    - Operating Balance Form
    - Operating Balance Letter
  - ❑ Adult Meal Pricing
  - ❑ State Match

You can find the Fund 290 Child Nutrition Financial Report for your district under the Financial tab. Select the FY School District Financials data from the drop down box and click on your district name. Figures for last year and the prior years are shown. Looking at past years of data can identify costs that are increasing faster than others and revenues that are decreasing.

### Special Provisions

Special provisions that should be considered when budgeting for the CNP, include the following:

- All revenues received by or accruing to the CNP account must be used only for the operation and improvement of the foodservice program. Revenues include, but are not limited to, receipts from:
  - ❑ child and adult meals;
  - ❑ snack bar and a la carte programs;
  - ❑ earnings on investments;
  - ❑ other local revenues; and
  - ❑ federal and state reimbursement received by or accruing to the CNP account.
- The CNP account funds may not be used for expenditures that are not directly related to the CNP operation although they may be part of the district's general fund. Any positive balance remaining in the CNP account at the end of the school year must be carried over to the next school year as a beginning balance in the CNP account.

- Earnings on investments (interest) from CNP funds, must accrue to the CNP account and be used only for authorized program purposes.
- To maintain the nonprofit status of the National School Lunch and Child Nutrition Programs, the fund balance or net cash resources of the CNP account should not exceed three month's average expenditures. The sponsor will be contacted by the SDE/ CNP if an excess balance occurs and must respond with a plan to spend their excess funds. An excess balance could be reduced by improving the quality of food served, reducing the prices of meals served to children, or purchasing needed supplies, service or equipment. This plan can only be used for allowable costs approved by USDA.

### Three-Month Operating Balance

To determine if an excessive balance exists, complete the following calculations:

- 1) Total Net Cash Resources minus Annual Expenditure = Annual Balance

Example:  $\$1,000,000 - \$900,000 = \$100,000$

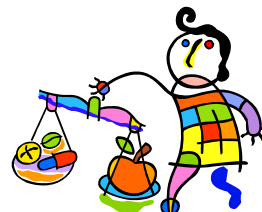
- 2) Divide annual expenditures by 12 to get average monthly expenditures.

Example:  $\$900,000 \text{ divided by } 12 = \$75,000$

- 3) Multiply average monthly expenditures by 3 to get the maximum operating balance allowed.

Example:  $\$75,000 \times 3 = \$225,000$

In the example above, the sponsor's annual operating balance is \$100,000 which is less than a 3 month operating balance of \$225,000. Therefore, no **excess balance exists**.



## Plan for Reducing Excessive Operating Balance

Participant Number: \_\_\_\_\_ Date: \_\_\_\_\_

Sponsor Name: \_\_\_\_\_

Address: \_\_\_\_\_

City/State: \_\_\_\_\_ Zip: \_\_\_\_\_

Telephone Number (\_\_\_\_) \_\_\_\_\_

---

The above named sponsor hereby submits the following plan to reduce the excessive operating foodservice balance. This plan will be completed by \_\_\_\_\_, 20\_\_\_\_.

Current Operating Balance: \$ \_\_\_\_\_

Average Monthly Expenditure: \$ \_\_\_\_\_

Briefly Outline Plan: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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*(If additional space is needed attach another page.)*

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*(Signature of Authorized Representative) (Printed Name of Authorized Representative)*

(OFFICIAL USE ONLY)

[ ] APPROVED

[ ] DENIED \_\_\_\_\_

*(Signature of State Department of Education, Child Nutrition Official)*



## Use of Funds

The food service program must be “nonprofit”. Revenues received by the school food service are to be used only for the operation or improvement of the food service program. Revenues cannot be used to purchase land or buildings or to construct buildings. The following list represents areas where revenues can be expended:

- Food service staff salary and benefits
- Food service staff training
- Freight charges for USDA commodities
- Supplies and materials for consumption
- Supplies and materials for sale or rental
- Utilities and communications
- Food service management fees
- Furniture and equipment
- Vehicles/transportation equipment

## Reimbursement Rates

Reimbursement rates can be found on the Child Nutrition Programs Website at <http://www.sde.idaho.gov/child/> choose NSLP then reimbursement rates from drop down box.



## Especially Needy Lunch

The Especially Needy Rate is based on the percent of free and reduced-price lunches served 2 years prior to the current year. The free and reduced lunches served must be equal to or greater than 60% of the total lunches served that year. If a sponsor meets the 60% requirement an additional \$.02 is reimbursed for all lunches claimed by that sponsor. The eligibility for the Especially Needy Rate is determined by the State Agency based on the claims submitted during the appropriate year by district. Notification will be sent to sponsors that qualify for the Especially Needy Rate at the beginning of each fiscal year.

## Student Meal Pricing

Program regulations require that each lunch and breakfast be priced as a unit. In addition, regulations state the Offer versus Serve provision is not to affect the selling price for a lunch or breakfast established by the district. Regardless of which items a student chooses, he/she must pay the established full or reduced price meal charge, as appropriate. Students eligible for free meals pay nothing.

- Charge for Reduced-Price Meals - Reduced meal prices cannot exceed 40 cents for lunch, 30 cents for breakfast or 15 cents for snacks.
- Full Priced Meals - The charge for a full price meal may be more in high schools than in grade schools. Schools may offer students a choice of reimbursable lunches. One lunch line may be more expensive because of the cost of producing special meal items.
- Meals for All - Free and reduced price recipients must be able to choose any meal offered with no additional charge.
- Fees for Lunch Services - Children must not be charged any additional fees for supervisory or other services provided in conjunction with the meal programs.

### A la Carte - Student and Adult

At a minimum, a la carte prices should be set to cover the total cost of each item. When pricing menu items for a la carte sales, consider setting prices relatively high. A reimbursable “offer versus serve” meal sold at the unit price and claimed for reimbursement should be priced lower than the total of the a la carte prices of the same items. A la carte pricing should include all labor, food, and other costs including sales tax connected to the product.

### Adult Meal Pricing



Following you will find an explanation and recommendation for the calculation of adult meal prices in your National School Lunch and National School Breakfast programs.

The regulations state, “In no case should the funds collected for adult meals be less than the actual cost of providing the meals.”

The benefits of the National School Lunch and Breakfast Programs are for children only. According to federal guidelines: “no reimbursement or commodities are provided for meals served to adults.” USDA has developed the following method for determining the minimum prices charged for adult meals. **If you do not intend to charge these prices, the lost revenue cannot be recouped from child payments or reimbursement.**

In calculating the minimum adult meal price, add the rate of federal reimbursement for a free student lunch and the per meal value of USDA commodity assistance rate. Apply the current rate of sales tax to the subtotal.

#### **LUNCH**

Free Reimbursement Rate\*  
+ Commodity Rate  
 = Sub total  
+ Sales tax on the sub total  
 = Price of Adult Lunch

#### **BREAKFAST**

Free Reimbursement Rate\*\*  
+ sales tax  
 = Price of Adult Breakfast

This would cover the costs of your program, including per meal cost for commodities and sales tax.

- \* If your district receives “Especially Needy Lunch,” the calculated rate for your district must be added to the adult lunch price.
- \*\* If your district receives “Severe Need Breakfast” rates, the calculated rate for your district must be added to the adult breakfast price.



### **Food Service Employees**

Meals served to cafeteria employees **directly involved** in the operation and administration of the breakfast and lunch program (managers, cooks, servers, etc.) may be served at no charge and considered as a fringe benefit attributable to program costs. Therefore, the cost of such meals may be paid from program funds. Charging food service employees for meals is left to the discretion of the sponsor.

### **Other Sponsor Employees**

If meals are included as a fringe benefit or offered as part of the salary arrangement for non-food service personnel, the sponsor must provide enough money from non-school food service funds to the food service fund to pay the cost of these adult meals.

### **Adult Visitors**

The charge to adult visitors, at the discretion of the sponsor, may be higher than the charge paid by adult employees.

**SAMPLE**  
**Any School District #0000**  
**Food Services Program Financial Report**  
**2000 IFARMS Fund 290**

<b>Revenues</b>		<b>FY-20XX</b>	<b>FY-20XX</b>
415000	Earnings on Investments.....	744	3,453
416100	Meal Sales – Reimbursable .....	500,007	491,240
416200	Meal Sales - Non-Reimbursable ..	69,519	58,141
445500	Federal Reimbursement.....	367,078	378,857
460000	Transfers IN .....	<u>81,146</u>	<u>77,302</u>
<b>Total Revenues</b>		<b>1,018,494</b>	<b>1,008,993</b>

**Expenditures**

710100	Food Services – Salaries .....	435,165	439,154
710200	Food Services – Benefits .....	161,068	160,636
710300	Food Services - Purchased Services	848	1,054
710400	Food Services - Supplies/Materials	<u>383,792</u>	<u>378,576</u>
<b>Total Expenditures</b>		<b>979,873</b>	<b>979,420</b>

**Balance Sheet**

111000	Cash.....	71,064	
114000	Other Receivables.....		60,755
115000	Inventories.....	33,881	35,930
116000	Other Current Assets. ....	72,860	116,250
213000	Accounts Payable. ....	-6,579	-6,347
217000	Salaries/Benefits Payable .....	-64,099	-69,888
310600	Reserved for Inventories .....	<u>-33,881</u>	<u>-35,930</u>
<b>Unreserved Funds/Operating Balance</b>		<b>73,246</b>	<b>100,770</b>

Average Monthly Expenditures.....	81,656	81,618
Months of Operating Funds Available .....	0.90	1.23

If you show more than 3 months operating balance, you will be required to respond to the State Agency on your plan of action for expending the excess funds. You may carry more than 3 months operating balance if you have dedicated funds for a project or other exceptional expenditures.

## Fund 290 Child Nutrition Financial Report Code Definitions

To provide an accurate accounting of Fund 290-Child Nutrition, it is important the correct IFARMS codes be used. Proper accounting will allow us to help you with your financial decisions.

Following is the chart of account codes from the Idaho Financial Accounting and Reporting Management System (IFARMS) most frequently used in the Child Nutrition Fund 290 for revenues, expenditures, and balance sheet entries. **Parentheses ( ) designate descriptive names of the account.** For more information about the codes refer to the IFARMS manual. After the account code, is a brief description of the items that would appear in that category. Please use these codes for the appropriate values.

**Revenues** All revenues pertaining to Child Nutrition are recorded in Fund 290. (Expenses should not exceed Revenues).

Tips when discussing revenue:

- How many meals did you serve last year by type?
- What were cash sales?
- What were a la carte sales last year?
- How much was received for earnings on investments?
- How much was reimbursement?
- Code revenues for accounts before submitting

415000	<b><u>Earnings on Investments</u></b> -- Interest from bank accounts, time certificates, investment funds, etc.
416100	<b><u>School Food Service – (Meal Sales – Reimbursable)</u></b> Reimbursable meal and Special Milk Program sales to children.
416200	<b><u>Meal Sales - Non-Reimbursable</u></b> – Non-reimbursable meal sales to adults and second student meals minus the sales tax paid on these transactions.
416900	<b><u>Other Food Sales</u></b> – Food sales such as <u>a la carte and milk sales, catering or fund raising</u> minus the sales tax paid on these transactions.
419900	<b><u>Other Local – (Other Local Sales)</u></b> Contracted meal sales and sales not classified minus the sales tax to be paid on these transactions.
439000	<b><u>Other State Revenue</u></b> –There are no State revenues paid in this category. The FICA match is shown as a Transfer In.
443000	<b><u>Direct Restricted Federal – (Cash-in-Lieu of Commodities)</u></b> Cash received instead of commodities.
445500	<b><u>Child Nutrition Reimbursement – (Federal Reimbursement)</u></b> Federal reimbursement received for School Breakfast, School Lunch and After School Snacks, Special Milk, Child and Adult Care, and Summer Food Services Programs and Child Nutrition Program project grants.
445900	<b><u>Other Indirect Restricted Federal* – (USDA Commodities)</u></b> Market value of commodities from the PAL Report. Record the market value of commodities in Expenditure Code 710400 Supplies/Materials also.
453000	<b><u>Sale/Compensation of Fixed Assets</u></b> – Sale or compensation for loss of food services equipment.
460000	<b><u>Transfers – In</u></b> – Interfund (Residual Equity) transfers that <u>will not be paid back like the FICA paid for food service employees.</u> Show both FICA for food service employee as a transfer in from the General Fund or the General Fund may pay these directly.

## Expenditures 710

All expenditures pertaining to Child Nutrition should be charged to 710. Exceptions to this rule are transfers out and debt services. The district also has the option to pay the FICA costs directly from the General Fund, however, they still must be recorded under Program 710.

All CNP expenditures should be classified as food, labor and other. Expenditures should be documented by itemized receipts, invoices and/or cancelled checks.

To be allowable, expenditures must be necessary and reasonable for proper and efficient administration of the programs and conform to any limitations or exclusions set forth in program regulations. The types of allowable and unallowable expenditures that may be made by schools operating the Child Nutrition programs under the National School Lunch Act are listed below. For specific expenditures not listed or for further interpretation of those listed, contact the state office.

710100	<b><u>Salaries</u></b> – Salaries paid for foodservices personnel.
710200	<b><u>Benefits</u></b> – Foodservice employees' benefits. The FICA is paid by the General Fund (Fund 100) directly or as a transfer into the Food Service Fund.
710300	<b><u>Purchased Services</u></b> – Services including bank charges, travel and property operations.
710400	<b><u>Supplies/Materials</u></b> – Supplies and materials minus food rebates. Also record the market value of commodities from the PAL Report here and as revenue under Other Indirect Restricted Federal (USDA Commodities) 445900.
710500	<b><u>Capital Objects</u></b> – Capital outlay expenditures.
911600	<b><u>Debt Service Principal</u></b> – Principal payment on a lease-purchase equipment transaction or a loan.
912600	<b><u>Debt Service Interest</u></b> – Interest payment on a lease-purchase equipment transaction or a loan.
710700	<b><u>Insurance – Judgements</u></b> – Insurance premiums for property or liability.
920800	<b><u>Transfer of Funds-Out</u></b> – Indirect costs transferred out to the General Fund. Indirect costs must be determined using the rate and formula provided by SDE.

### **\*Commodity Value**

School Districts must record the USDA commodity market values received and expended. Use both the Revenue Code 445900 and Expenditure Code 710400. The amount should be the same. The PAL Commodity Report available on CNP 2000 shows the market value of commodities received by the sponsor. Actual shipping and handling costs associated with receiving the commodities should be reported as a food service expense under the Supplies/Materials Expenditure Code 710400.

## Balance Sheet

111000	<b><u>Cash</u></b> – Cash in demand deposit accounts at the bank plus petty cash, cash on hand, etc.
112000	<b><u>Investments</u></b> – Funds invested for producing interest income.
114000	<b><u>Other Receivables</u></b> – Other earned receivables such as meal reimbursement, interest, unpaid meal charges, etc. not yet received or recorded.
115000	<b><u>Inventories</u></b> – Food services inventories including commodities on hand at year-end recorded at actual market value. Record inventories under Reserved for Inventories Balance Sheet Code 310600 also. The amount is the same.
116000	<b><u>Other Current Assets</u></b> – Expenditures made for benefits not received yet as prepaid insurance premiums. Assets not classified or included elsewhere
211000	<b><u>Interfund Payables</u></b> – Payables for loans or goods and services payable to another fund.
213000	<b><u>Accounts Payable</u></b> – Payables owed businesses or private persons.
214000	<b><u>Contracts Payable</u></b> – Payables for services other than salaries payable.
217000	<b><u>Salaries/Benefits Payable</u></b> – Salaries and benefits incurred, but not paid.
218000	<b><u>Payroll Withholdings</u></b> – Payroll deductions and withholdings incurred, but not paid.
221000	<b><u>Deferred Revenues</u></b> – Revenue advanced, but not earned, such as Summer Food Service Program reimbursement advances.
234000	<b><u>Other Non-Current Liabilities</u></b> – Other current liabilities not classified above.
310600	<b><u>Reserved for Inventories</u></b> – Inventory amounts shown under Inventories Balance Sheet Code 115000. Inventory cannot offset negative cash or payables on the balance sheet.
320100	<b><u>Unreserved Designated Funds</u></b> – Future planned expenditures.
320200	<b><u>Unreserved Undesignated Funds</u></b> – Future food services operational funds.

**\*Inventory and Food Services - Supplies/Materials:** Year-end inventory of all food and supplies should be taken after the last day of school, but no later than June 30th. USDA commodities are priced out at their market value as shown on the Bill of Lading and PAL Report. The net gain or reduction in year-end inventory compared to the inventory reported on the prior year financial report affects Expenditure Code 710400 Supplies/Materials. A net gain in inventory reduces 710400 and a net reduction in inventory increases 710400. This more accurately represents the supplies/materials expended for the year.

- |                                   |   |
|-----------------------------------|---|
| Step 1) Balance Sheet Code 115000 | Current year inventory <u>minus</u> prior year inventory              |
| Step 2) Expenditure Code 710400   | Negative amount increases 710400<br>Positive amount decreases 710400. |

## Interfund Loans to Be Paid Back

Interfund loans are outstanding loan amounts in the Food Service Fund that will be paid back to the General Fund and should be reflected in two accounts on the balance sheet. They are:

111000	Cash remaining from the loan not spent yet.
211000	Interfund Payable, loan amount not paid back yet.

## State Match



### **NOTE: THERE HAVE BEEN RECENT REVISIONS TO THE STATE MATCH.**

Senate bill no. 1379 passed in 2006 amended language of 33-1015 that required school districts to contribute both the FICA and PERSI amounts for all school lunch personnel from the district's general funds.

The amendment to 33-1015 is said to prevent "over-matching" by school districts. They do not have to contribute, by law, both FICA and PERSI from their general fund account toward the match. **They only have to contribute, by law, the FICA (Social Security) payment toward the local match.**

The implementation date was July 1, 2006.

"Federal law requires the State of Idaho to make these payments in order to continue to participate in the National School Lunch Program. These monies are provided to participating school districts exclusively for use in CN operations and must be deposited in their CN accounts."

- Must be the FICA costs for their food services workers.
- Foundation Payments 88 accounting system needs to show either these costs were moved to the general fund or costs were paid directly out of the general fund.
- Public School Finance 88 should be able to see those actual expenditures in general fund or the transfer of the original expenditures to general fund on their financials.
- **USDA Regulation – 2 ways this can be accomplished (State match at the sub-recipient level)**

1. Benefits are paid directly from the General Fund.

Fund 100 (General Fund), Expenditure Program Code 710 (Child Nutrition Program), Object Code 200 (Benefits).

2. Benefits are paid from the Child Nutrition Fund, with matching monies transferred in from the General Fund.

Fund 290 (Child Nutrition), Revenue Code 460000 (Transfers In)  
Fund 100 (General Fund), Expenditure Code 920 (Transfers Out)

### **Indirect Costs**

Allowable indirect costs are based on total expenses for the **current** year minus food and milk, capital outlay, and prior indirect cost paid on a previous year. This figure is then multiplied by the **State approved indirect cost rate** for the district. Most are around 2%. Private and parochial schools must submit their financial reports to the state for computation of their indirect cost rate.

## Staffing Guidelines for On-Site Production

NUMBER OF EQUIVALENTS* (1)	MEALS PER LABOR HOUR (MPLH)/TOTAL HOURS			
	CONVENTIONAL SYSTEM**		CONVENIENCE SYSTEM***	
	MPLH (2)	Total Hours (3)	MPLH (4)	Total Hours (5)
Up to 100	8	9-12	9	9-11
101-150	9	12-16	10	11-14
151-200	10-11	16-17	12	14-16
201-250	12	17-20	14	16-18
251-300	13	20-22	15	18-20
301-400	14	22-29	16	20-25
401-500	14	29-35	18	25-28
501-600	15	35-40	18	28-34
601-700	16	40-43	19	34-37
701-800	17	43-47	20	37-40
800+	18	47+	21+	40+

\* Meal equivalents include breakfast and a la carte sales. Three breakfasts equate to two lunches. A la carte sales equal to the free reimbursement rate plus the USDA commodity value plus sales tax equate to one lunch.

\*\* The conventional system is preparation of food from raw ingredients on the premises (using some bakery bread and prepared pizza and washing dishes).

\*\*\* The convenience system is using the maximum amount of processed foods (for example, using all bakery breads, pre-fried chicken, and proportioned condiments, and using disposable dishes).

Adapted from: Pannell, School Foodservice Management Van Nostrand Reinhold, 1990 and NFSMI Financial Management Information System 2005.

## Tips for Running a Financially Sound Program

- The food service standard is 40% for food/paper/cleaning supplies, 40% for labor/benefits, and 20% for other expenses. **This is of expected revenues.** Expenses by category can exceed the standard percentage, but should not exceed 100% of revenues.
- Visit other sponsors for ideas on menus and cost containment. This includes sponsors with food service management companies.
- Project your annual labor and benefits costs based on the hours worked by each employee and their benefit costs. Project food and supplies at 40% of revenues and based on current year expenses. Other costs include capital equipment, mileage, repairs, actual cost basis utilities, and indirect cost.



Ideally the average paid student prices should be equal to the free reimbursement minus the paid student reimbursement rate. Meal reimbursement rates increase about 2% per year. Example: The free lunch reimbursement minus the paid lunch reimbursement results in an average lunch price for full price. Raise prices on a regular basis to assure a positive operating balance.

### If Expenses are Greater than Revenues, You Can:

- Decrease the cost of food and supplies by bidding individually or joining a local food purchasing co-op with other school districts. Keep inventory at a minimum and your money earning interest in the bank. Use all the USDA commodities available to your district.
- Eliminate seconds, decrease leftovers and monitor portion control by using standardized serving utensils. Offer choices to increase participation and implement Offer vs. Serve to reduce waste.
- Increase breakfast and lunch participation to increase labor efficiency. Decrease labor hours and benefits if needed. See Staffing Guidelines on 19.13 for guidance on meals per labor hour.
- Increase revenue through price increases. Increase sales of accurately priced food; i.e., catering, a la carte, sack meals for athletes on game day, concessions, etc.
- Start a breakfast program if you do not currently have one. Increase breakfast participation by promoting breakfast as a way to increase student test scores and better classroom behavior. Make it a simple menu and do not increase labor hours unless absolutely necessary.

- Increase participation and sales without increasing labor through marketing and promotion of your meals in the classroom with no or low cost events. Some ideas are:
  - ❑ Ask classrooms to design a menu. Promote it throughout the school and give a prize to the classroom that has the highest participation;
  - ❑ Name your menu items creatively and distribute menus; and
  - ❑ Serve food prepared in a quality manner.
- Check budget spreadsheets to see that FICA for food service employees was paid by the school district General Fund as required by Idaho Code 33-1015.
- Be sure interest on school lunch funds accrues to the school lunch account.
- Use the following breakdown as a guide for budgeting
  - ❑ Labor & benefits – 40% of revenues
  - ❑ Food cost – 40% of revenues
  - ❑ Other cost – 20% of revenues
- Manage by Menu Planning
  - ❑ Cost out menus
  - ❑ Menus determine costs for labor including production, serving and cleanup
  - ❑ Track student participation for likes & dislikes
  - ❑ Use commodities whenever possible
  - ❑ Maintain portion control & use standardized recipes
  - ❑ Purchase by bid or request for prices
  - ❑ Verify invoicing at the bid price
  - ❑ Market the menu with students
  - ❑ Serve GOOD food with eye appeal
- Labor Cost
  - ❑ How do you fund pay raises?
    - 3-4% per year
  - ❑ Reimbursement rate increases
    - 1-2% per year
  - ❑ Hire part-time & reduce benefits
  - ❑ Are meals per man-hour at optimum level?
  - ❑ Strive for work simplification – Share ideas
  - ❑ Reduce excessive break time
- Meal Pricing
  - ❑ Costs increase
    - 3-4% each year
  - ❑ Reimbursement increase is not enough –
    - 2% each year
  - ❑ Raise prices gradually to avoid drop in participation
    - \$.05 yearly
  - ❑ Paid meals should cost more at high school (larger portions, more choices)
  - ❑ Different pricing is allowed for different lines; however, all free and reduced students must be allowed to choose meals from any line without incurring additional costs.

## Allowable Expenditures

Allowable expenditures include the following:

- **Advertising** for the recruitment of USDA personnel, for the solicitation of bids for the procurement of goods and services required, and for the disposal of scrap or surplus materials.
- **Attorney's fees under certain conditions.** Consult the state office when the question arises concerning the USDA programs.
- **Automotive equipment** used for Child Nutrition department purposes (i.e., transporting food, employees).
- **Recognition of CNP employee achievements as long as:**
  - ❑ the activity is a part of the school district's established practice,
  - ❑ it is reasonable and necessary, and
  - ❑ it is consistent with regulations, policies and procedures that apply uniformly to both federally assisted and other activities of the district (be consistent with the use of local funds).
- **Food purchases** and costs directly related to the storage, handling, processing and transportation of food to run the USDA programs. All food purchases for program meals must be domestic commodities or products according to the Buy American Provision. All Child Nutrition funds (including federal reimbursement) must support the Buy American Provision.
- **Labor**, which includes payments for labor and other services directly related to operating the Child Nutrition Programs. This may include a portion of the salaries of janitorial, maintenance workers, secretarial, and finance staff but only for service actually performed for the CNP operation (must be prorated).
- **Memberships, subscriptions, professional publications, and audiovisual equipment** used to benefit CNP.
- **Nonexpendable items**, generally classified as movable property, and used directly in preparing, storing, or serving school meals. This includes ranges, refrigerators, freezers, steam tables, mixers, storage cabinets, garbage containers, tables, chairs, hot water heaters, portable fans and other equipment. This category may include such items as charges for installing equipment and connecting to utilities in the building in which the program is operated, as well as service for maintenance and repair of equipment.
- **Office equipment** — Computers, printers, fax machines, cash registers, adding machines, and other office equipment used exclusively for the CNP operation.
- **Other supplies and expendable equipment** used directly in the operation of CNP. This includes items that must be replaced from time to time, such as pots and pans, serving trays, dishes, glassware, silverware, linen, mops, brooms, cleaning supplies, etc.
- **Printing and reproduction equipment** or services for CNP services only.
- **Promotional** materials for exhibits relating specifically to the CNP program, and for advisory councils related to parental and student involvement.
- **Rental of non-district owned food storage facilities or equipment** as required for CNP.
- **Services**, such as pest control, trash removal, security and janitorial.

- **Travel** for CNP business such as workshops, conferences and training programs.
- **Utilities**, when accounted for separately (actual costs) or prorated to charge only the portion used by CNP. The best proration method is using separate meters; the next best is survey by utility company; otherwise, use a reasonable method (square foot percent, gas bill in months when the school is not heated, etc.).

### Unallowable Expenditures

- **Cafeteria monitors** — CNP funds may not be used to pay salaries for monitoring. However, CNP personnel may have monitoring duties assigned to them as part of their other CNP responsibilities.
- **Contributions and donations**
- **Entertainment**, amusements, social activities, gratuities and related activities.
- **Foods of minimal nutritional value** for sale either in or outside the food service area.
- **Interest on loans.**
- **Personal membership** in civic, professional, technical, and business organizations (an agency or district membership is allowable). The expenditure may not be for membership in an organization that devotes a substantial part of its activities to lobbying and influencing legislation.
- No **land purchases, acquisitions or construction of buildings**
- No **passenger automobiles**
- Using **CNP owned copiers or printers** for non CNP purposes unless costs are allocated.
- Child Nutrition funds cannot be loaned to other departments
- **School district** cannot lease buildings and space to Child Nutrition or charge rent, etc.
- **Rent** or usage fees for district-owned facilities such as cafeterias, kitchens or storage facilities.

### Criminal Penalties Associated with Mishandling of Funds

This statement regarding fraud is from National School Lunch Program Regulations.

“Whoever embezzles, willfully misapplies, steals or obtains by fraud any funds, assets or property provided under the National School Lunch Program and/or School Breakfast Program whether received directly or indirectly, shall if such funds, assets or property are of a value of \$100 or more, be fined no more than \$25,000 or imprisoned not more than 5 years or both; or if such funds, assets or property are of a value of less than \$100, be fined not more than \$1,000 or imprisoned not more than 1 year or both. Whoever receives, conceals or retains for personal use or gain, funds, assets or property provided under the National School Lunch Program and School Breakfast Program, whether received directly or indirectly, knowing such funds, assets or property have been embezzled, willfully misapplied, stolen or obtained by fraud, shall be subject to the same penalties.”

## **Summary**

Use your monthly district printouts and reports to familiarize yourself with accrual accounting entries. If you have a question, call us or ask your district business official for help. Food service management personnel should continue to reconcile the food service accounts monthly and review all transactions for proper coding and payment procedures. Bank accounts should be reconciled monthly to the district office accounting records.

## Questions and Answers

- (1) Which meals do I have to pay sales tax on and do I have to pay sales tax on adult exchange meals?

**ANSWER:**

You must pay sales tax on all non-reimbursable meals such as adult meals and a la carte. You do not have to pay sales tax on adult exchange meals.

- (2) How does my program qualify for the “especially needy” rate?

**ANSWER:**

Your program is entitled to the extra 2¢ in addition to the basic rate for each lunch served if 60% or more of the children’s’ lunches served district wide in the second preceding year were either free or reduced. The State Agency will notify your program if you qualify.

- (3) If there is a teacher that helps monitor in the cafeteria on Monday and Friday can they receive a free meal on these days?

**ANSWER:**

Yes, as long as the teacher has a direct responsibility with the NSLP (National School Lunch Program) they can have a free meal on the days monitoring.

- (4) Can we claim the adult meals?

**ANSWER:**

No, adult meals are never to be claimed; only student first meals can be claimed for reimbursement.

- (5) If I have a question about the State Match at my organization, who should I talk to?

**ANSWER:**

Typically the business manager is the employee that deals with State Match; however at your specific site they might have a different title. The individual that does the financing is usually the person that deals with this task.

- (6) What is a meal equivalent when comparing lunch to breakfast, snack and a la carte?

**ANSWER:**

Meal equivalents are the following:

- Three breakfasts equate to two lunches
- Three snacks equate to one lunch
- A la carte sales equal to the free reimbursement rate plus the USDA commodity value plus sales tax equate to one lunch

## Resources

- Public school financials are at:  
[www.sde.idaho.gov/child/](http://www.sde.idaho.gov/child/) choose Data/Statistics  
The March percent free and reduced eligibility report is also located here.
- School lunch personnel hourly wages by ranges of enrollment are at:  
<http://www.sde.idaho.gov/statistics.asp>
- CNP 2000 has a reports area with Average Daily Participation, Percent Free and Reduced Meals by sponsor of ADA and ADP, List of Provision Participants, and Directory and Labels.
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